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"The reason that our joint venture has been so successful is due to Obeikan Group's in-depth knowledge of the markets and SIG Combibloc's..."

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"After China, Vietnam is the largest growth market for UHT milk..."

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"Russia is one of the world's largest markets for beer – and beer in PET..."

Dear Shareholders

SIG achieved a great deal in the course of the year under report. With the completion of focusing on the markets for beverage and food cartons (SIG Combibloc), as well as on value added bottling in PET (SIG Beverages), the roadmap for the future is established. At the same time, expansion of business into the strategic growth markets beyond Europe's borders and into the food products segment proceeded briskly. The reorientation of SIG Combibloc, started in 2004, which transformed the division from a regional organization into a functional structure, was successfully implemented in 2005. With its new structure in place, SIG Combibloc will be able to steer growth better and more efficiently.

In 2005, notwithstanding the ongoing consumer hesitation and price pressures in Germany – which, with a portion of turnover amounting to some 30 percent, currently remains the division's major market – the SIG Combibloc Division was able to increase net sales by a gratifying 2 percent to EUR 1 097 million (2004: EUR 1 075 million). This rise can primarily be attributed to the significant market successes outside Europe, but also to continuing steady growth in the other European markets. A light upswing in growth is expected for 2006, whereby the German market is likely to once again make a lower contribution to the total net sales of the division. We responded promptly to the increasing shift in growth dynamics towards the regions outside of Europe and, last November, began with the adjustment of production capacities at the European plants.

Reduced earnings of SIG Combibloc over the past year stem not only from weaker sales in Germany, but also from massive increases in prices for raw materials. Those increases for raw materials, amounting to around EUR 25 million, cost us a 2 percent EBIT margin year on year and pushed down the EBIT margin 2005 to just under 9 percent (prior to restructuring costs relating to capacity adjustments). Without that impact, the margin of the division over the long-term average would have been above 10 percent.

Despite operating in a fiercely competitive environment, the SIG Beverages Division developed positively. Above all in the second half, business grew noticeably. While the 2005 turnover figure of EUR 125 million (2004: EUR 133 million) could not quite match the previous year, thanks to efficiency increases at SIG Corpoplast, the biggest unit in the division, profit in the traditional business sector still rose. As in the previous year, that profit was invested in the future technologies of SIG Asbofill (aseptic filling machines) and SIG Plasmax (coating installations for PET bottles). The comfortable order intake at SIG Asbofill and the uninterrupted market interest in the SIG Plasmax coating technology validate the SIG Beverages strategy of focusing on the value added bottling segment to provide high integrity solutions in the market for PET bottles.

At Group level, net sales of the core business (continuing) grew parallel to the development in net sales of the bigger division SIG Combibloc, i.e. by 2 percent to EUR 1 207 billion (2004: EUR 1 184 billion). Given the weaker results of



SIG Combibloc, the EBIT of EUR 76 million (prior to restructuring) was not able to reach the figure of the previous year (2004: EUR 97 million). Group profit (including discontinuing business) of EUR 47 million is significantly better than the previous year's result that was impacted by value adjustments.

Even though significant investments were made in new markets and products, free cash flow rose substantially by 161 percent to EUR 60 million (2004: EUR 23 million). Given this improvement and the marked increase in profits, the Board of Directors is proposing a significantly higher dividend payout to shareholders in the form of a nominal value reduction of CHF 4.– per share (from CHF 10.– to CHF 6.–). This represents a payout rate of slightly over 36 percent, which is within the 30 to 40 percent bandwidth predicted for the future. Moreover, in view of the robust financing of internal equity, the Board of Directors initiated a share buyback program at the beginning of the year valued at up to CHF 100 million. That initiative should be completed by the General Meeting 2007.

I wish to thank our customers and shareholders for their loyalty and confidence in our Group. In particular, I extend my thanks to our employees. They have given an excellent performance and will continue to put their stamp on the ongoing development of the Group. In the coming years, SIG will develop from a company with a Central European bias into a Group that is at home in the world's markets. We are in the process of expanding from the historic roots and markets in Europe towards the integration of cultures, customers and markets of the world's growth regions. That challenge will have a sustained effect on the future profile of our Group and will be an enriching experience for all our employees.

On its way to becoming a leading global packaging group for beverages and food products, SIG has made significant headway over the past two years in its successful strategic focus on core business, expansion into new geographic markets and segments, as well as in the further development of its innovations. Through the sustainable and attractive business model of the SIG Combibloc Division and together with the SIG Beverages Division, we are well equipped to significantly increase the corporate value of SIG for the benefit of our shareholders, customers and employees. That objective is the absolute priority of the Board of Directors and the entire Group.

A handwritten signature in blue ink, reading "L. Leisewitz". The signature is fluid and cursive.

Lambert Leisewitz
Chairman of the Board of Directors



Strategic focus completed, heading for new growth areas

With the sale of the Italian units Simonazzi, Alfa, Manzini and Comaco in the fall of 2005, SIG was able to successfully conclude the strategy adjustment initiated in 2004. Hence, the Group is concentrating on its core competencies: the aseptic filling of beverages and food products plus its expertise in generating barrier protection for commodities packaged in carton and PET.

The markets for packaged beverages and food products served by both divisions SIG Combibloc and SIG Beverages continue to grow steadily on all continents. Expansion in the burgeoning economic regions of Asia, primarily China and Vietnam, remains above average. New applications for carton packages dedicated to food products such as soups, sauces, vegetables, fruit and the like, or new technologies that improve the shelf life, quality and safety protection of the fill products, also promise strong growth.

In the year under report, the SIG Combibloc Division rigorously pushed ahead the internationalization of its traditional business of carton packages for fruit juices and milk

The emphasis of this geographic expansion was on the markets of China, Southeast Asia, the Middle East/Africa. In recent years, these markets have exhibited double-digit percentage growth. We assume that this rate of expansion will continue for some years to come. Moreover, the SIG Combibloc Division will dedicate more resources to the South American market.



In Western Europe on the other hand, modest growth only is expected in the fruit juice and beverages markets, whereby the German market is likely to shrink over the coming two years, because of partial substitution of beverage cartons by monolayer PET bottles in the fruit juice and tea segment. A peculiarity of Germany is that currently, it is primarily juices that are filled there in combibloc cartons. Seen worldwide, this is the exception – outside of Germany, SIG Combibloc produces more milk cartons than juice packages.

The opening of our packaging materials plant in China at the end of 2004 was followed in November 2005 by the inauguration of a further production facility in Saudi Arabia. Hence, the Group now owns ten packaging materials plants worldwide: seven in Europe and one each in Thailand, China and Saudi Arabia. The construction of a new packaging materials plant to cover the needs of the South American markets is scheduled for the near future. The investment will take place as soon as the volumes required to justify it are reached, and supplies of raw materials are secured.



SIG Combibloc pursues expansion into food packaging segment

SIG Combibloc's technology for aseptically filling food products into cartons is well proven not only for beverages such as milk and juices, but also for liquid commodities such as soups and sauces.

Business development in aseptic cartons for soups and sauces was highly dynamic in the past year. The expansion of the partnership with the Campbell Soup Company in the USA and Canada represented a major breakthrough. The primary benefits of cartons compared to the traditional packaging forms, and in particular compared to cans are: consumer friendliness, product quality, market differentiation and competitive system costs and logistical benefits. The task of the coming years is to assertively market our well-established technology within a market estimated at around EUR 4 billion, with the objective of doubling our current net sales in the segment by the year 2009.

SIG Combibloc expands its business activities into packages for fruit and vegetables

In addition to soups and sauces packaged in cartons, SIG will also, in future, fill fruit and vegetables in cartons. Currently, these are packaged primarily in cans and glass. In this latter segment which, with a market volume of around EUR 11 billion, is significantly larger than the aseptic market for soups and sauces, the contents are filled into impermeable and heat-resistant "preserve cartons" and subsequently sterilized in autoclaves. In establishing this second business leg, SIG is able to build on its beverages technology and existing carton production capacities, thereby entering a new market with attractive margins and substantial growth opportunities at comparatively low investment levels.

The first pilot unit was sold in 2005 already. Further units will be installed in 2006 and 2007, so that a widespread market launch can probably be started in 2008.



Functional organization implemented throughout the SIG Combibloc Division

In order to better and more efficiently run SIG Combibloc as a globally operational division in the future and thereby standardize processes and products, we decided in the course of 2005 to transform the hitherto regional structures into a functional organization. This move has been implemented throughout the division since January 2006. Since then, the four functions Market Operations (marketing, sales, service), Sleeves Operations (sleeves and closures), Equipment Unit (building filling machinery) and R&D (research and development) are being steered centrally as global units. Within the scope of implementation, employees worldwide are being qualified and intensely trained for their new tasks. We are convinced that the functional organization will make a significant contribution to the continued internationalization of our company and encourage a lively exchange of ideas across the continents.

SIG Beverages Division dedicated to the further development of its value added bottling strategy.

Value added bottling means, on the one hand, equipping plastic bottles for sensitive beverages – for example, carbonated or vitamin enriched ones – with barrier properties and filling them aseptically. On the other hand, the concept also includes offering high-quality and cost-effective bottling solutions that are matched precisely to the individual product requirements. This aspect covers, for example, the question of weight reduction while at the same time reducing energy consumption.

Belonging to SIG Beverages are the business units SIG Corpoplast (bottle design and stretch blow molding machines), SIG Plasmax (high-integrity barrier coatings) and SIG Asbofill (aseptic filling). Growing interest in the Asbofill technology is coming primarily from the area of discerning low-acid drinks such as milk and milk-mixes as well as functional beverages.

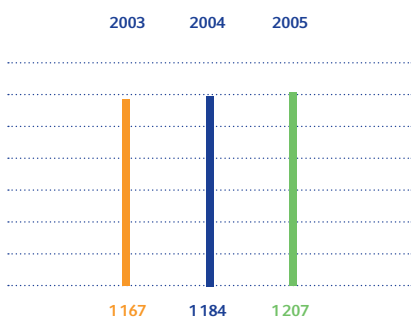
To further develop the value added bottling strategy, integrated end-to-end solutions are being marketed in addition to the individual systems from the business units SIG Corpoplast, SIG Plasmax and SIG Asbofill.



Group Result

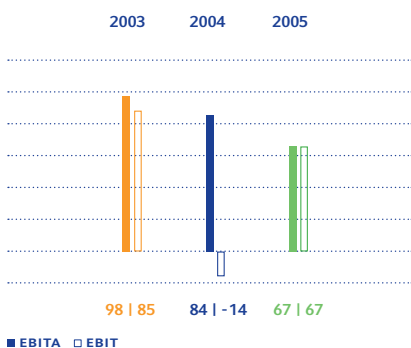
SIG Group Continuing¹

Net sales in millions of EUR



SIG Group Continuing¹

Operating profit in millions of EUR



¹ SIG Combibloc, SIG Beverages (excl. Discontinuing Business), Corporate/Services, eliminations

In the SIG core business activities (continuing), net sales grew by 2 percent to EUR 1 207 million. This growth stems primarily from the particularly dynamic growth of the SIG Combibloc division in the strategic future markets, which more than offset the declining business of this division in Germany and the slight fall-off in sales in the SIG Beverages division. The steep rise in order intake at SIG Beverages towards the end of 2005 indicates that its value added bottling strategy is beginning to pay off. The focus in the year under report on the carton business and the value added bottling activities was successfully concluded with the divestment of the Italian units Simonazzi, Alfa and Manzini/Comaco. Up to deconsolidation, those units achieved results within the framework of expectations.

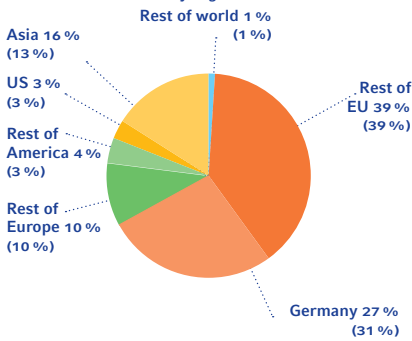
As already announced, the Group EBIT 2005 was impacted by the fall in earnings at the SIG Combibloc division, which suffered from the massive increase in raw materials costs and price pressures in Germany. The increased cost of raw materials alone, amounting to EUR 25 million, cut the EBIT margin of this division by 2 percent. Notwithstanding, at EUR 67 million, the EBIT of the core operations stood significantly higher than the year on year figure of EUR -14 million that was impacted by goodwill impairment. Also making a significant contribution to this improved result were the corporate costs that were cut by almost half to EUR 15 million.

Free cash flow developed gratifyingly and reached EUR 60 million for 2005 (2004: EUR 23 million). Both divisions contributed to this result, which stems to a considerable extent from the significant reduction in net working capital.



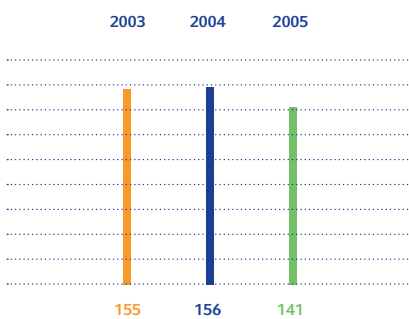
SIG Group Continuing¹

Net sales 2005 (2004) by regions



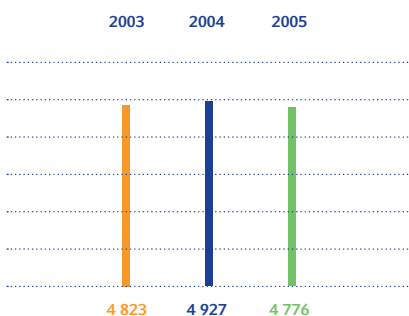
SIG Group Continuing¹

Investments in millions of EUR



SIG Group Continuing¹

Employees



Our objective for 2005 was more ambitious and consequently, we cannot be satisfied with this Group profit of EUR 47 million. On the other hand, it is the highest profit reported by SIG since the year 2000 and was achieved under the negative external circumstances described beforehand. Hence, we made good progress in the year under report, not only strategically, but also in our daily operations. We are convinced that this progress will continue to bear fruit in 2006 and beyond.

All our activities are sustainable and environmentally compatible

Sustainability is at the heart of our corporate strategy, our vision and, consequently, our daily operations. We feel responsible for the full scope of our activities: economically, ecologically and socially. We apply our competence and expertise to developing and producing safe cartons: packages that provide beverages and food products with extended shelf life and maintain the valuable nutrients in them – thereby contributing to the healthy dietary habits of the world's population. SIG carefully husbans all raw materials and resources, and is dedicated to environmental protection. The best example of an environmentally advantageous product is the beverage carton. It is made up of between 75 to 80 percent of a renewable resource and can be recycled readily. Unlike fossil-based, non-renewable resources, renewable materials are always available. In view of environmental pollution and scarcity of raw materials, the strategic use of wood, a renewable resource, is a genuine task for the future.

The cellulose for our beverage cartons originates primarily from Scandinavia. Together with our suppliers, we certify that their forests are managed sustainably; thereby ensuring that more timber is being grown than is felled. Additionally, we develop joint solutions that allow us to make even more economic use of our raw materials. In this way we guarantee that natural resources also needed by coming generations are protected.

Rolf-Dieter Rademacher
CEO



SIG Strategy

Following the sale of the Italian units Simonazzi, Alfa, Manzini and Comaco, SIG is now concentrating on its core competencies: the aseptic filling of beverages and food products, plus its expertise in generating barrier protection for consumer commodities packaged in carton and plastics. The group comprises:

1. SIG Combibloc, the number two provider worldwide of cartons for the beverages and food products industries. As a systems supplier, the division not only offers the packaging materials, but also the corresponding filling machines.
2. The SIG Beverages Division, whose value added bottling strategy covers equipment and systems for the manufacture, coating and filling of plastic bottles for beverages.

Both divisions are dedicated to profitable growth.

SIG Combibloc is energetically seeking out new markets in the traditional beverages sector, beyond Europe's borders. The focus here is on China, Southeast Asia and the Middle East/Africa, and, in future, South America. On the other hand, SIG Combibloc is expanding more strongly into the area of packages for food products. In future, the existing business activities of cartons for soups and sauces will be expanded into packages for fruit and vegetables.

The SIG Beverages Division is rigorously developing its value added bottling strategy. Value added bottling means coating PET bottles for sensitive beverages – for example, carbonated or vitamin enriched ones – with specific barrier properties and filling them aseptically. At the same time, the concept includes supplying high-quality, but nevertheless economical, packaging solutions that are individually matched to the respective customer requirements. A typical issue for the division is the subject of lightweight bottles.

As in the past, both SIG Combibloc and SIG Beverages can finance investments in new markets and segments organically, i.e. through their traditional business activities. The overriding objective of all growth initiatives is to create value added – for the customers and for the shareholders; hence, the emphasis is on profitable growth.

Rolf Stangl, Head Corporate Development/M&A:

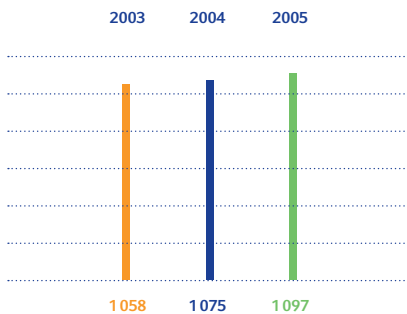
“Now that SIG completed its focus on core activities in 2005, we are well positioned in the right markets and looking forward to profitable growth.”



SIG Combibloc Internationalization progresses; German market and cost of raw materials weigh heavily

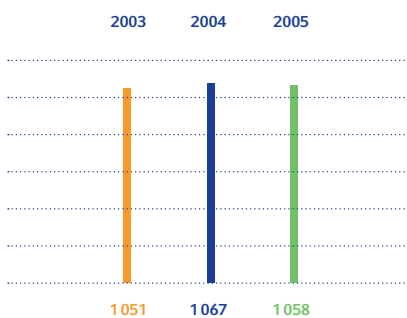
SIG Combibloc

Net sales in millions of EUR



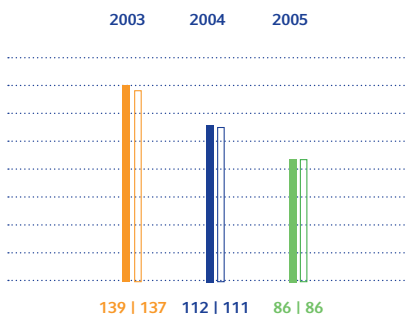
SIG Combibloc

Order intake in millions of EUR



SIG Combibloc

Operating profit in millions of EUR



■ EBITA □ EBIT

Whereas in Germany, a lower volume of 11 percent had to be tolerated, the growth markets of China, Southeast Asia, Eastern Europe as well as the Middle East continued to progress positively. Hence, the Division was able to increase its sales by 2 percent, to EUR 1 097 million. Worldwide, sales of combibloc cartons grew as planned in double figures, reaching almost 12 percent. SIG Combibloc took this growth trend into account by opening a new packaging materials plant in Riyadh, Saudi Arabia. Through investments in new markets, the division will, in the medium term, further reduce its current dependency on the German market.

As a result of substantial price increases for raw materials, price pressures in the German retail trade, and despite substantial operational improvements, the EBIT of the division fell by some 24 percent to EUR 95 million (EUR 86 million after restructuring). Increased polyethylene (PE) prices alone reduced the margin by 2 percent. Without this impact, the 2005 EBIT margin would have equalled the 10-year average.

Totaling EUR 133 million, capital expenditure for investments in packaging materials production, was slightly lower than for the previous year (2004: EUR 138 million).

Germany: consumer stagnation and price pressures dampen sales

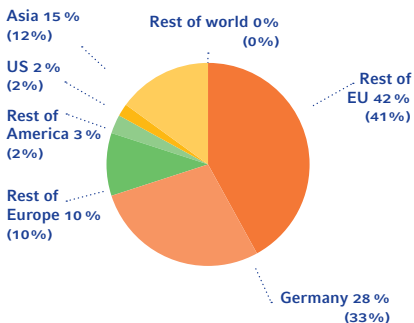
SIG Combibloc Germany – this market currently still accounts for almost 30 percent of total division sales – was the only marketing region where fewer cartons were sold than in the year before (-2 percent). Continuing weak consumption – sparkling drinks, water and flavored waters are being consumed rather than premium juices – and price pressures within Germany's beverages trade, caused by the monolayer PET bottle, impacted on sales primarily in the segment of non-carbonated soft drinks, where the division is more than strongly represented with over 50 percent market share.

Nevertheless, in Germany, SIG Combibloc was able to achieve noteworthy wins, more specifically with premium packages. Particularly gratifying was the success of combifit.



SIG Combibloc

Net sales 2005 (2004) by regions

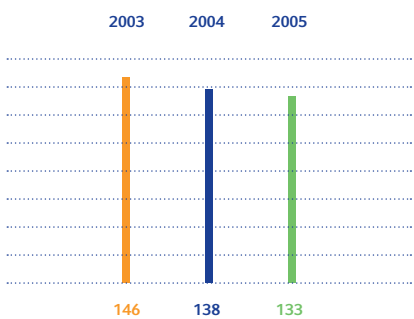


A number of premium producers selected the innovative and elegant format for their branded juices.

2005 also saw SIG Combifit roll out the new combiSwift screw cap developed by SIG allCap. The first customer worldwide to select this opening system was Thüringer Milchwerke. In the coming years, this new, user-friendly screw cap is also expected to help SIG Combibloc further strengthen its presence in the milk market.

SIG Combibloc

Investments in millions of EUR



Western Europe:

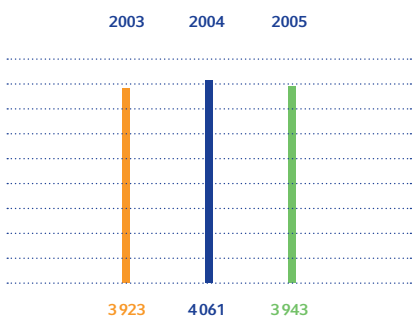
stable growth in all markets, successes in France's food business

In the Western European markets (excluding Germany) SIG Combibloc was again able to increase its sales of carton packages by more than 10 percent.

SIG Combibloc installed four filling machines at the new production facilities of a major Spanish milk filler. In Sweden, too, SIG Combibloc intensified its collaboration with a customer that uses combibloc exclusively. Two further fillers were installed for this fruit juice producer. In Great Britain, a comprehensive installation project with a leading European juice filler concluded with the production start-up of several filling machines.

SIG Combibloc

Employees



In France, business in aseptic cartons for food products is of considerable importance. With its Liebig brand, Campbell France is the market leader for soups packaged in cartons. The number two is Unilever Bestfoods France with its Knorr brand. Both companies rely exclusively on filling technology from SIG Combibloc. Campbell France, for example, launched a new Liebig product line offering typical national tastes from Italy, China and India, all filled in combibloc cartons.

Also in Italy, SIG Combibloc expanded its activities in the packaging market for food commodities. Over and above this, significant orders were signed with Italian customers in the fruit juice sector, from which the division will benefit in 2006.



Eastern Europe: large formats in demand

In the Eastern European region, too, the growth of recent years continued in 2005, albeit somewhat more modestly.

On the customer side, SIG Combibloc built on strong partnerships in both Russia and Poland – in the milk as well as in the juice sectors. In Russia, for example, the division installed five filling machines for a major customer. For its juices, that filler primarily utilizes the large combibloc sizes as well as the innovative combifit format.

One of the major Russian producers of juices and milk launched numerous new products in combifit and combibloc, and is filling cream products, plus juices and milk-based drinks in them.

In Poland, a project was launched with the multinational key account to fill soups in aseptic cartons, starting summer 2006. A newcomer to the Polish market is the combifitMidi format, which is being used by a dairy to expand its range of packages.

In Poland's fruit juice market, SIG Combibloc is working with the market leader to expand its portfolio by installing two filling machines for the slim combiblocPremium format.

Austria is one of the region's strongest markets in terms of sales. A substantial portion of this result is achieved through business with key accounts in the fruit juice and UHT milk segments. Rauch Fruchtsaft GmbH, for example, is selling its family-size formats (1.5 l and 2 l) in its home market of Austria, as well as exporting its products to Italy, the Adriatic area and Hungary.

In Czechia, SIG Combibloc can look back on the successful cooperation with a first customer in the food sector. Extensive preparations were undertaken in 2005 so that soups and sauces in aseptic cartons can be launched on the Czech market in 2006 for the first time.



Through intensified collaboration with Sió-Eckes, Hungary's biggest and best-known fruit juice brand, SIG Combibloc was able to increase sales in that market. This multinational fruit juice producer is offering a new range of fruit-based refreshments and vegetable juices as functional drinks complementing a healthy diet. The customer chose combifit to provide the innovative packaging.

In order to have a direct presence in the growth market of Turkey, SIG Combibloc opened a subsidiary in Istanbul in the third quarter of the year under report.

China: new plant triggers growth

The commissioning of the new production facility in Suzhou mid-2004 triggered a veritable surge in growth. In this region, SIG Combibloc substantially exceeded its budgetary forecasts and more than doubled its packaging sales year on year.

Both the market for non-carbonated soft drinks and that for UHT milk/products are growing annually at a double-digit percentage rate. This high growth potential stems primarily from the as yet low per capita consumption. Whereas consumption has already risen substantially in the major eastern seaboard cities such as Shanghai and Beijing, in the adjacent rural areas or in the west of China, it remains at an extremely modest level.

This satisfying development for the division in the China market has been strongly influenced by the UHT milk/products segment where, with a market share of almost 40 percent, the aseptic carton has established itself as the leading packaging concept.

Also growing is the market for non-carbonated soft drinks, which is currently dominated by the PET bottle. However, in this sector too, there is considerable growth potential for beverage cartons, e.g. through innovative concepts for premium products.



On the customer front, the trend towards consolidation in the milk market continued in 2005. In the year under report, SIG Combibloc installed 14 filling machines for the market leader Yili at their state-of-the-art production facility in Inner Mongolia as well as six fillers at other production plants. A milestone, not only with regard to cooperation between the respective partners, but also for the development of SIG Combibloc in this market.

Although SIG Combibloc had opened its new plant in Suzhou barely a year before, ISO 9001-2000 certification was achieved in 2005 already. With its local production facility, the division is now fully equipped to grow together with the markets of the world's most populous nation. The subsidiary has already adapted its operational structures to match the rapid growth in China and has increased its manpower strength: in 2005, the number of employees rose from 190 to over 240.

The company also expects a percentage increase in sales in the higher double-digit range for 2006. Consequently, the production capacities of the new Suzhou plant will be expanded in the course of the first half of the same year already.

Asia (excluding China, Japan):

Fulminant growth in Vietnam, market successes with combibloc

Substantial growth also typified the markets in Asia, where the SIG Combibloc Division increased its sales by some 18 percent over the previous year.

Thailand's share of liquid UHT milk/products in Asia is 48 percent, while the second strongest performer is Vietnam with 23 percent, followed by South Korea with 16 percent. The dominant package in the overall Asian market for UHT milk/products is the aseptic carton with an over 80 percent market share.

In the Asian sector of non-carbonated soft drinks, Indonesia, Thailand and Taiwan stand equal with respective shares of 21-27 percent. Here, the aseptic carton holds a consistent average share of almost 20 percent of the total market. Both the market for non-carbonated soft drinks and that for UHT milk/products continue to grow steadily.



Whereas the division was able to maintain its volume level of the previous year in Taiwan, despite a declining market for beverage cartons, it was able to expand its business activities in other regions of Asia.

To better serve Vietnam, the strongest growth market for UHT milk/products, the SIG Combibloc Division established SIG Vietnam Ltd. in 2005, opening an office in Ho Chi Minh City.

Middle East/Africa:

Success of joint venture with Obeikan continues

SIG Combibloc services the market for aseptic beverage cartons in this region jointly with the Saudi Arabian Obeikan Investment Group. Compared to the previous year, the 50:50 joint venture sold over 30 percent more aseptic cartons.

Relevant markets for the joint venture are those for non-carbonated soft drinks and liquid UHT milk/products, which are growing by some 10 percent annually. In both sectors, the aseptic beverage carton is the dominant packaging system.

In 2005, the joint venture installed 14 filling machines for its customers. For example, the partnership with Almarai, one of the Middle East's largest exporters of food products, was expanded. This customer operates the leading brand for milk and juice products in the Arabian subcontinent. The partnership with Almarai includes an agreement covering eight new filling machines. Six of these have already been installed and brought on stream at the customer's production facilities, with an additional one each to follow in 2006 and 2007 respectively.



SIG Combibloc and Obeikan reacted to the growth in their markets by constructing a new packaging materials plant in Riyadh, which was inaugurated in November 2005. This allows the joint venture to respond more selectively and rapidly to customer requirements, to further improve service levels and shorten delivery times in the growth markets of the Middle East as well as those of Africa. In the adjacent Training Center, in-house employees and those of customers are schooled in all aspects related to the SIG Combibloc machine systems. The new packaging materials plant will have a manpower strength of some 130 employees by 2006.

USA/Canada/Mexico: breakthrough in segment for soups and sauces

In this region, SIG Combibloc reported a sales increase of almost 50 percent over the previous year – primarily as a result of the successful entry into the packages for food products business.

In the past, SIG Combibloc was already comparatively well represented in the USA and Canada with aseptic cartons for food products such as soups. Thanks to the extension of collaboration with the American key account Campbell Soup Company, 2005 saw the effective and successful breakthrough into the food segment. The world's largest producer of soups launched a series of premium soup products on the market, packaged in combibloc. The benefits of the aseptic carton allow the customer to make its product claim of being "Restaurant Quality".

In Mexico too, the division is active in the market for food products: One of Mexico's leading producers of food commodities fills its tomato products, pasta sauces, salsas and soups in combibloc cartons.

In 2005, SIG Combibloc installed three additional filling machines for small carton formats with a US American producer of leading-brand juices and yoghurt. Now, substantially more packages are being produced than in the year before. The customer thereby secured itself a significant market share in a segment that is otherwise stagnating in the USA.



South America: market debut for combifit

South America is yet another growth market in which SIG Combibloc is active. The division is still in the market entry phase, with volumes and net sales value at comparatively low levels. Nevertheless, in this region where, contrary to Asia, the larger formats dominate, SIG Combibloc registered a positive upward trend: some 30 percent more cartons were delivered than in the year before.

Both the market for liquid UHT milk/products and the as yet small segment for non-carbonated soft drinks show high growth potential. Similar to China, this potential stems from the still limited per capita consumption, but also from the growing affluence in South America. Aseptic beverage cartons account for almost 90 percent of the UHT milk market, which is growing by 2-3 percent annually. In the market for non-carbonated soft drinks, however, the share held by carton packages is currently only around 40 percent, but the trend is clearly upward.

South American customers perceive SIG Combibloc as an active partner with a local presence. This is evident from the exemplary growth in new business in 2005: in Brazil, the division signed contracts with Batávia S.A. Indústria de Alimentos and with Frimesa.

Batávia's UHT milk brand Batavo is one of the strongest in the nation. In collaboration with SIG Combibloc, the customer constructed a new filling facility in the second half for enriched UHT milk, fruit nectars and milk with fruit-based mixed drinks. As a result, Batávia was able to enter the segment of non-carbonated soft drinks for the first time. There was also a South American premiere in 2005: as the first customer in this region, Batávia selected the innovative combifit beverage carton format.

Since April 2005, Frimesa, one of the most important food products manufacturers in Brazil, began to fill sweetened condensed milk in cartons. Brazil is currently the country with the highest consumption of sweetened condensed milk worldwide. In its new package, the product exceeded all sales forecasts. SIG Combibloc, in turn, supplied double the volume of packaging materials originally planned.



"Россия - один из крупнейших мировых пивных рынков, а пиво в ПЭТ пользуется огромной популярностью."

Russia

SIG Corpoplast has had a presence on the Russian market, with own personnel, since 1999. Customers in Russia appreciate the strong presence of Corpoplast, with their comprehensive consultancy facilities and professional service. In addition to numerous local brands, all the major multinational brewers produce their bottles using BLOMAX machines from SIG Corpoplast.

The drinks market in Russia has shown highly positive development over recent years. There has been strong growth in beer, soft drinks and mineral water.

An analysis of beer consumption reveals that, in contrast with other markets, consumer demand for beer in PET bottles is very strong. Large containers up to 2.5 liters are particularly popular. This is reflected in per capita consumption. From 15 liters per person per year in 1996, consumption by 2004 had virtually quadrupled to 56 liters (this compares with approximately 110 liters in Germany). Specifically, beer consumption over the same period has grown from 23 to 82 million hectoliters. While sales of beer in glass bottles have fallen dramatically from 60 percent (2001) to 32 percent (2004), the volume of beer sold in PET bottles in Russia has shown a rising trend over the same period, from 28 percent to 43 percent, and is still rising.

Alexey Popov, Service Engineer

“Russia is one of the world’s largest markets for beer – and beer in PET is a big seller”



SIG Beverages: value added bottling strategy begins to pay off

Even though business picked up in the second half of the year and was particularly satisfactory in the months of November and December, the SIG Beverages Division was not able to completely make good the shortfall in sales of the first half. Net sales fell by 6 percent in 2005 to reach EUR 125 million. Thanks to further increases in efficiencies, however, the EBIT margin of SIG Corpoplast, the main sales arm, rose significantly from slightly over 4 percent in 2004 to just below 6 percent in 2005. This result and the stable profit contribution of SIG Cantec allowed the division to finance the investments in the future technologies SIG Asbofill and SIG Plasmax.

SIG Corpoplast

SIG Corpoplast's know-how portfolio ranges from bottle concepts, preform selection, bottle and mold design, process development, design of product dependent components right through to extensive testing of the finished bottle.

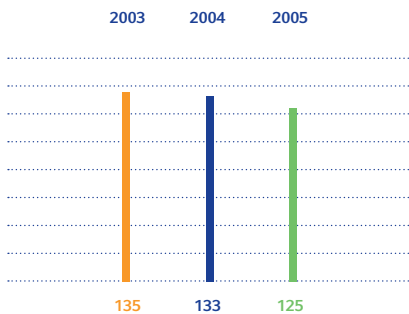
In 2005 – the year of its 30 years company jubilee – the Hamburg machine builder scored substantial international successes. Three further BLOMAX 24 were sold to one of the biggest converters (bottle makers) for Coca-Cola in the USA. Those machines are running at an output capacity of 43 200 bottles per hour.

Another BLOMAX 24 sold to Taiwan was installed at the customer's facility in China. One of the leading food and beverages producers in the country is utilizing the machine to manufacture half-liter bottles for orange juice. To strengthen its presence in the Chinese market, SIG Corpoplast established a Shanghai office in 2005.

From South Africa, SIG Corpoplast received the second biggest ever single order for blow molds in the history of the company. The customer sells its soft drinks primarily under the Coca-Cola umbrella brand. In recent years, SIG Corpoplast has established a good overall business base in South Africa: a good 60 percent of all the rotary stretch blow molding machines installed there originate from Hamburg.

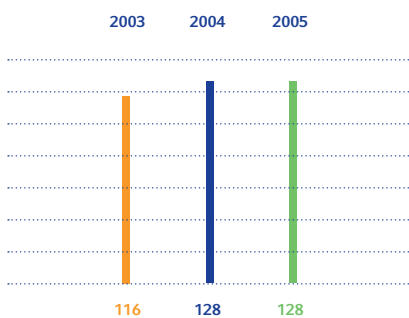
SIG Beverages²

Net sales in millions of EUR



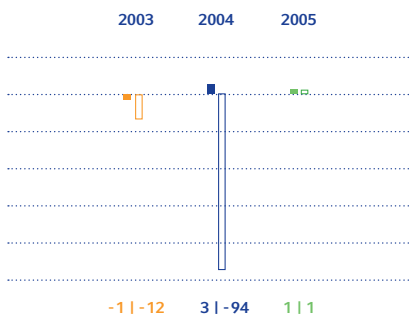
SIG Beverages²

Order intake in millions of EUR



SIG Beverages²

Operating profit in millions of EUR



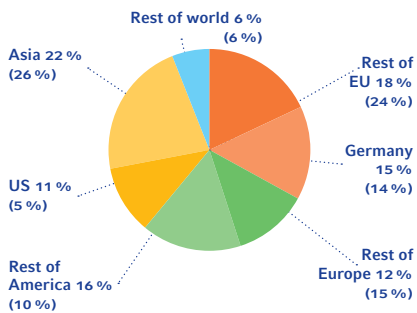
■ EBITA □ EBIT

² excl. Discontinuing Business



SIG Beverages²

Net sales 2005 (2004) by regions

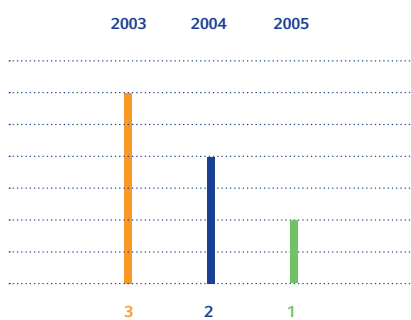


Two key events were held in Germany: the trade show drinktec 2005, where SIG Corpoplast particularly stood out with its new market presentation “Bottles & Shapes” dedicated to design and process know-how. A new world record for “Lightweighting” was set by a BLOMAX 10 Series III machine producing 12 gram half-liter bottles, to highlight the enormous potential savings and the repeatability accuracy of this precision machine.

SIG Corpoplast also extended its “Technical Center for Packaging Solutions” in Hamburg with state-of-the-art technical equipment to allow even more extensive testing during the product development process.

SIG Beverages²

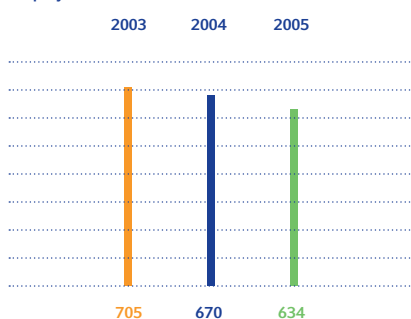
Investments in millions of EUR



SIG Moldtec, integrated into SIG Corpoplast since 2004, develops, manufactures and tries out molds for producing preforms and bottles. At drinktec 2005, the company demonstrated a new line of tooling that can be used to upgrade older machine models to higher output levels.

SIG Beverages²

Employees





SIG Plasmax

Since 2003, the SIG Beverages Division has been developing PLASMAX, a new coating system that deposits a transparent barrier (thin glass layer) on the inside of bottles. As a result, oxygen-sensitive and carbonated drinks such as beer, juices, sports drinks and soft drinks obtain considerably extended shelf life because their vitamins, taste, color and carbon dioxide content are retained longer. The plasma barrier process is flexible and can be applied to bottles of different sizes; coated bottles can be recycled completely.

Activities in 2005 were dedicated to optimizing the technology. For example, for almost a full year with a customer in Japan, PET bottles were coated in three-shift production. 2006 will serve primarily for the widespread industrialization of the innovation. Interest from the beer and juice filling industries is high. In the first half of the year, a unit will come on stream with a well-known fruit juice producer.

SIG Asbofill

SIG Asbofill is already well known in the market as a provider of aseptic linear filling technology for PET and HDPE bottles.

Two machine models are already on the market: the Series ABF 710 (12 000 one-liter bottles per hour) with integrated bottle sealing and the new Series ABF 610 (12 000 half-liter bottles per hour) with integrated aseptic screw capping. Nowadays, both machine models can be specified with either bottle sealing or with integrated screw capping.



SIG Asbofill defines itself as a planner and supplier of efficient linear filling technology and, with the new ABF 610, profiled itself at the drinktec 2005 show as a technology leader. In the past year, it was primarily producers of lifestyle drinks that showed interest in the company's products. Agreements in November 2005 totaling five machines are a clear indication of a strong increase in market interest in SIG Asbofill over the past year.

SIG Cantec

SIG Cantec produces high performance systems for three-piece cans, deep drawn cans, ends, caps and easy open shells. In 2005, the operation registered a higher order intake than originally forecast. Net sales and earnings rose accordingly. SIG Cantec exports 95 percent of its equipment, primarily to the markets of the Middle East, Central and South America, Africa and Eastern Europe.

In the course of 2005, the company successfully improved the position of "End-O-Mat", the key product in its range. "End-O-Mat" is a high performance press that produces ends, shells and lug caps.



Innovations from SIG Combibloc

Differentiation with combishape

combishape offers customers a choice of more than 30 base formats that can then be adapted to their individual requirements. For example, oval, concave, triangular, square or octagonal beverage cartons can be produced. Hitherto, two prototypes have been installed in the market. One machine is operating with Corporación Alimentaria Peñasanta, S.A. (CAPSA). The market leader in Spain's dairy sector began filling the new milk product NATURLínea in 2004. Since then, other products from the range, i.e. NATURLínea with Aloe Vera and NATURLínea Frutas del Sol, are being filled in combishape. The second prototype is being used by Eckes-Granini in France to fill its Joker brand fruit juices. Eckes-Granini started off with four variants in fall 2004 and, at the beginning of 2005, introduced two further flavor trends.

Products packaged in combishape have been extremely well received by consumers in Spain and France. Following the introduction of combishape in France, Eckes-Granini was able to register discernible growth in sales.

New screw cap launched

Innovations that allow customers to differentiate their products from the competition are a key success factor for SIG Combibloc. In September 2005, the division launched combiSwift, a new screw cap design that allows easier opening and tight closing of beverage cartons. This new closure developed by SIG allCap is available in various colors to match a wide range of carton designs.

SIG Combibloc customers are able to apply combiSwift to sleeves with comparative ease. Up to 15,000 packages per hour can be fitted with the screw cap. Logistic benefits are among the positive features of the closure: it weighs only 2.7 grams and, with an overall height of 12.6 millimeters, has a particularly low profile. As a result, cartons equipped with combiSwift save space when palletizing and stacking on point of sale shelves. With this system, SIG Combibloc is offering a closure that allows efficient production combined with convenient, user-friendly products for market roll-out. Germany's Thüringer Milchwerke is the first producer worldwide to use the new screw cap. SIG Combibloc reckons that combiSwift will achieve breakthrough success in the closure segment, thereby partially offsetting the shortfall in sales in Germany mentioned earlier.



New impetus through combisafe

For many years, SIG Combibloc has been active in the food products business with its aseptic cartons – soups, sauces and tomato puree have already been filled successfully. It is the consistency of the filled product that sets limits to the aseptic filling process. Smaller particulate presents no problems, but larger chunks are not suitable for aseptic filling. This is where, in future, combisafe, a “preserve carton” comes in. With combisafe, the carton is first filled with product and subsequently sterilized in an autoclave. This means that products such as vegetables, fruit and also ready-to-serve meals hitherto primarily sold in cans because of their consistency, can now be filled in cartons. Consumer surveys in Europe already confirm the acceptance of this innovation that will create significant impetus because of new differentiation potentials. The worldwide market for this type of package promises outstanding growth opportunities. The initial combisafe prototype will be installed with a pilot customer mid-2006.



Environment

Global environmental awareness

SIG considers an environmentally oriented attitude and means of doing business a global responsibility. Internally, these three maxims apply: know-how transfer, adopting best practices in all markets and a corporate-wide appreciation of all environmental aspects in the value chain – from raw materials procurement, product development, supplying the market with carton packages, right up to their disposal and recycling.

In the first link of the chain already, SIG Combibloc dedicated itself again in 2005 to husbanding resources: environmental specialists and their opposite numbers in research and development collaborated even more closely. They incorporate environmental aspects in the initial planning phase of new products already so that all markets can benefit from them.

SIG Combibloc has already helped to ensure that the subject of the circular economy is raised at various national awareness campaigns. In 2005, corresponding programs were initiated in France, Germany, Hungary and Thailand.

At EU level, SIG Combibloc is a member of ACE, the Alliance for Beverage Cartons and the Environment. Through this association, the paperboard manufacturers and beverage carton producers jointly monitor EU legislation and communicate the environmental profile of the carton package. In 2005, the members designed a communications campaign focusing on renewable raw materials because beverage cartons consist largely of cellulose fibers that are won from the renewable resource, wood.

With regard to environmental attributes, the beverage carton achieved an almost historic success in Germany with the “Amendment to the Packaging Ordinance”. Since the end of May 2005, that legislation decrees that the beverage carton is exempt from the mandatory deposit on one-way packaging systems. In Germany, the beverage carton is classified as “ecologically advantageous”, a fact that was already established by the Life-Cycle Assessment conducted in the year 2000 by the Federal Ministry for the Environment.



Since 2005, SIG Combibloc has also ensured that its environmental responsibility is reflected in the new functional organization. Throughout the division, local delegates have been nominated who are responsible for national environmental issues and corresponding internal services have been gradually set up. Last year, numerous employees from all the locations participated in internal training sessions covering relevant environmental issues.

At local level, the well-established Environmental Management function, that has been in place for a number of years at several production sites, proved its worth. It helped the company to reduce energy and water consumption as well as lowering waste volumes. Moreover, at all production locations, SIG Combibloc returns viable residual substances to the recycling system.

Over and above this, SIG Combibloc is involved in industry initiatives in numerous countries to monitor developments in the packaging and environmental sectors. In this context, SIG Combibloc contributes to a number of different country-specific activities. These include the permanent monitoring of national environmental issues and legislation covering packaging waste, the promotion of national collection and recycling of discarded beverage cartons, the development and coordination of recycling capacities as well as participating in awareness campaigns in schools.

One example of an industry initiative comes from the growth market of China: whereas the company was already a member of the China Packaging Federation, it became a permanent member in 2005 of the Circular Economy Committee (CEC). The primary objective of this committee, founded in December of the year under report, is to create a platform for dialog with the government. From this base, a framework program for a national recycling system for used beverage cartons is to be developed, including promoting awareness of the circular economy concept.



Outlook: SIG remains on growth course

SIG Combibloc

As already announced by SIG last November, monolayer PET bottles are expected to partially substitute beverage cartons in Germany's fruit juice and tea segments in the course of this year and the next. In that period, the hitherto very high share of around 60 percent held by the beverage carton in the German market for non-carbonated soft drinks is likely to align itself with the 40 to 50 percent European average. Business in the milk sector, by contrast, is expected to grow thanks to the competitive advantages provided by the new combiSwift closure.

Because of these structural market changes in the juice segment, SIG began to plan adjustment of production capacities in Europe at the end of the year under report already. Liberated infrastructures will be relocated to the growth markets to generate cost benefit potentials. Part of the restructuring costs impacted the results of 2005; the remaining portion will be attributed to those of the year 2006. The capacity adjustments will have a positive effect on cash flow by 2006 already and, from 2007 onwards, lead to annual cost savings.

Despite the reported weakness in net sales in Germany, the SIG Combibloc Division is reckoning with slightly stronger growth of 3 to 5 percent for 2006, compared to 2005. This is primarily thanks to the still booming markets of Asia, China and Middle East/Africa.

Robust growth is also expected in the rest of Western Europe, in Eastern Europe and the USA. Already announced in November 2005, the food packaging segment will be expanded further. The biggest contributor to net sales in 2006 will be the already established aseptic cartons for soups and sauces. Price pressures for raw materials are unlikely to slacken; this, plus the particular situation in Germany will impact the 2006 EBIT margin of the division, which will probably fall slightly below that of 2005 at around 8 percent (prior to restructuring).



SIG Beverages

Growth of net sales in the SIG Beverages Division is expected to be a solid 3 to 5 percent. The strongest demand is expected to come from the regions of North America, Asia and Russia. Should the positive trend discerned for the first two months of 2006 at SIG Asbofill in particular continue, stronger growth for this division is also feasible. As in previous years, the earnings of the division will be invested fully in the building up and expansion of SIG Asbofill and SIG Plasmax activities. It is planned that, in the current year, SIG Asbofill will achieve a balanced result for the first time.

SIG Group

In keeping with the expected developments in the divisions, growth in net sales at Group level will increase slightly by 3 to 5 percent over the previous year, while the EBIT margin, at 5 to 6 percent (prior to restructuring), will fall somewhat below the year on year figure.

The share buyback program initiated in January 2006 and valued at up to CHF 100 million is likely to run until the General Meeting to be held in April 2007. The internal equity ratio 2006 will remain in the region of the previous year's figure of 35 percent.

Vietnam/South East Asia (incl. South Korea and Taiwan)

By 2008, more aseptic beverage cartons will be sold in the South Asian markets (incl. South Korea and Taiwan) than in Germany, which to date has been the strongest sales market for SIG Combibloc worldwide. The fastest growing markets – after China – are Vietnam and Indonesia.

The largest growth market for UHT milk and other UHT products in this region is Vietnam, representing a volume of approximately 590 million liters of UHT-milk in 2005. The dominant type of packaging is the aseptic beverage carton. The lack of a continuous cold-supply chain, combined with a rising but low income level has led to, and will continue to lead to, a strengthening of consumer demand for packaging that provides optimal protection for the product. Such packaging should guarantee the quality of the contents, and provide a long shelf life without the need for added preservatives or refrigeration – all of these are intrinsic advantages of the aseptic beverage carton.

The latest market research figures imply that during 2006 this prevailing growth in the liquid-milk product market will continue, with a clear preference for small-format packaging (less than 250 ml). It is anticipated that aseptic beverage cartons will win further market share.

In order to better tap into the growth market in Vietnam, in 2005 SIG Combibloc established SIG Vietnam Ltd. and opened an office in Ho Chi Minh City.

Quang Lê, Service Engineer

“After China, Vietnam is the largest growth market for UHT milk and other UHT products. Because there are no continuous cold-supply chains, the advantages of aseptic beverage cartons are used to full effect.”



«Sau Trung Quoc, Viet Nam là mot thi truong phat trien nhanh nhat ve cac loai san pham sua tiet trung va cac loai san pham tiet trung khac. Do khong co nhung he thong lanh lien tuc, uu diem cua bao bi nuoc giai khat tiet trung duoc khai thac triet de.»

SIG practices Corporate Governance based on the principles and directives of the Swiss Code of Best Practice of economiesuisse (Swiss Business Federation). Its key elements are anchored in the Articles of Association of the SIG Holding Ltd. and the Organizational Regulations of the SIG Group. In the year under report, the Board of Directors again addressed the subject of “Corporate Governance” regularly and delivered resolutions on various reforms and improvements. The following section sets out the information required to be published pursuant to the directive of the Swiss Stock Exchange on Corporate Governance. All required information is disclosed. In contrast to the rest of the Annual Report figures, which are presented in euros, value items are given in Swiss francs as these relate primarily to the SIG Holding Ltd., the financial statements of which are made in Swiss francs. Where considered pertinent, references are made to other sections of this Annual Report and/or other publicly accessible sources.

Section 1 Group structure and shareholders

1.1 Group structure

The SIG Group is structured into the two sectors SIG Combibloc and SIG Beverages. The detailed operational structure of the Group is shown in the following organigram.

The SIG Holding Ltd. (parent company of the SIG Group) is the only listed company within the scope of consolidation. The company has its registered office in Neuhausen am Rheinfl, Switzerland; the SIG share (SIG N, security number 1202249, ISIN CH0012022494) is listed on the Swiss Stock Exchange. At 12/31/2005, market capitalization stands at CHF 1.87 billion. With the exception of the SIG Finanz AG (Group Treasury), none of the Group companies hold SIG shares. The shareholding of SIG Finanz AG is disclosed on page 27 of the financial report. Further details on the SIG share are given on pages 2 and 27 of the Financial Report.

Information on the non-listed companies is given in the overview on pages 34 and 35 of the financial report.

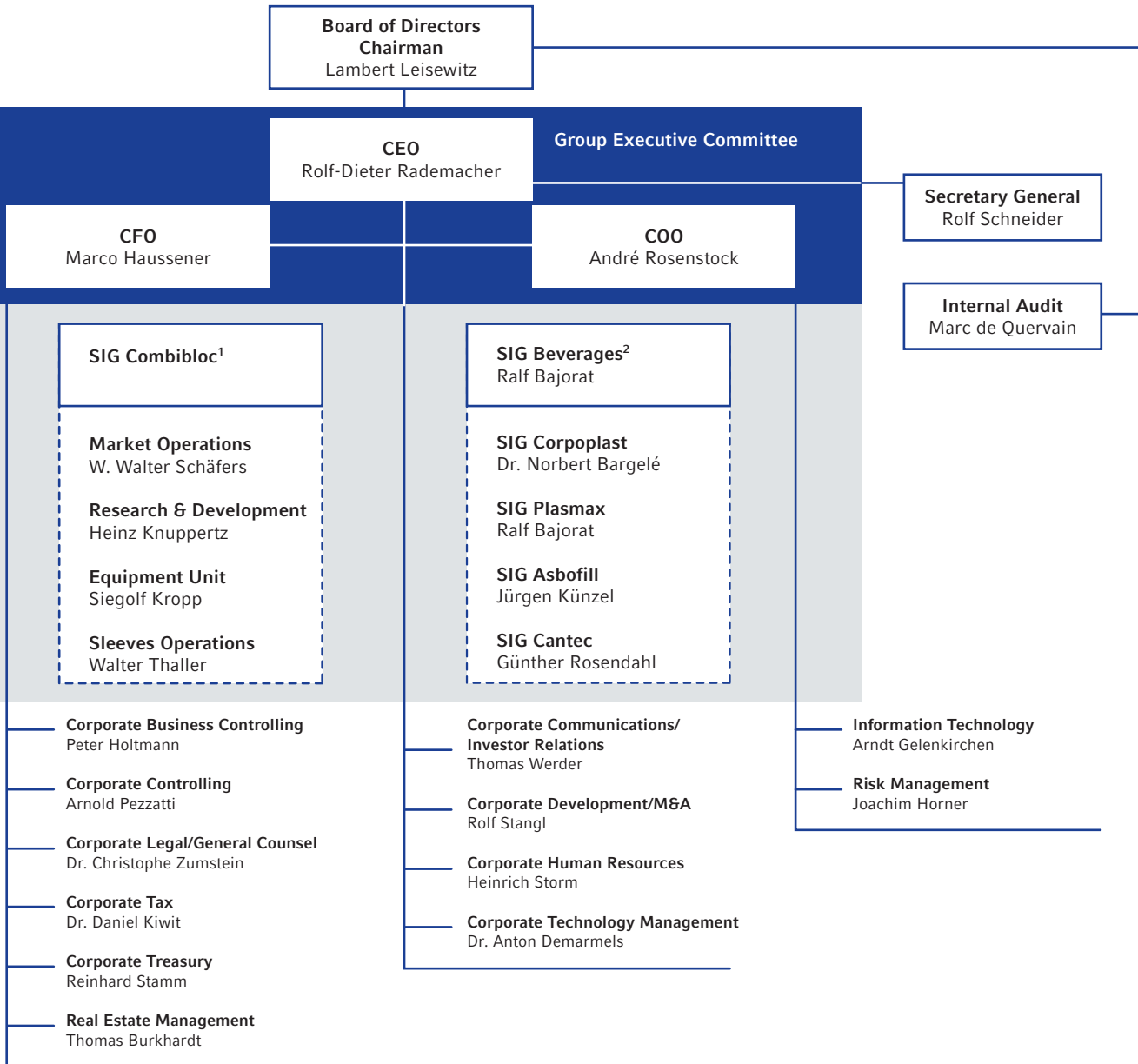
1.2 Significant shareholders

The following shareholders hold a stake exceeding 5 percent of the total share capital of the SIG Holding Ltd.:

Shareholder	No. of SIG shares	Stake	Date reported
Special Solutions Holding INC (US) Tortola and Cheyne Special Situations Fund L.P. Grand Cayman, Cayman Island	382 037	5.88 %	1/31/2005
Tweedy, Browne Company LLC (US) New York	374 522	5.76 %	8/15/2001
Zürcher Kantonalbank (CH) Zurich	329 550	5.07 %	10/10/2005

1.3 Cross-shareholdings

There are no cross-shareholdings with other companies.



› Organizational Structure as of: 2/1/2006

¹ Functional organization

² Legal entities

Section 2 **Capital structure**

Information on capital structure is largely disclosed in the Articles of Association of the SIG Holding Ltd. and in the financial report, section annual statements of the SIG Holding Ltd. The Articles of Association can be accessed through the Internet (www.sig.biz), under Investor Relations, Corporate Governance.

With regard to the individual articles, please note the following:

2.1 / 2.2 Capital / Authorized and conditional capital in particular

See Articles of Association, Art. 3 (ordinary capital) and Art. 3b (conditional capital).

The ordinary share capital of the SIG Holding Ltd. amounts to CHF 65 000 000. In addition, by resolution of the General Meeting of 3/29/2001, the company disposes of a conditional share capital amounting to max. CHF 6 000 000.

2.3 Changes of capital within the last three years

See Financial Report, 5-year overview of SIG Holding Ltd., page 27.

2.4 / 2.5 Shares and participation certificates / Bonus certificates

The share capital is divided into 6 500 000 registered shares, each with a nominal value of CHF 10. All registered shares are paid-in and entitled to dividend. Regarding voting rights, please refer to the explanations given under item 6.1 of this section "Corporate Governance".

SIG Holding Ltd. has issued neither participation certificates nor bonus certificates.

2.6 Limitations on transferability and nominee registrations

See Articles of Association, Art. 6 and Art. 15.

The limitations on registration are in accordance with those covering exercising of voting rights (see details under item 6.1 of this section "Corporate Governance").

In the year under review, the Board of Directors did not grant any exceptions to the limitations on registrations.

The preconditions for waiving statutory requirements on limitations on registrations are equivalent to those governing the exercise of voting rights (see explanations under item 6.1 of this section "Corporate Governance").

2.7 Convertible bonds and options

SIG Holding Ltd. has no convertible bonds and no shareholder options outstanding. Regarding employee options, please see the details under item 5.6 of this section "Corporate Governance" plus the Financial Report, notes to the consolidated financial statements, note 27.

Section 3 **Board of Directors**

3.1/3.2 **Members of the Board of Directors/Other activities and functions**

On 12/31/2005, the Board of Directors of the SIG Holding Ltd. comprised a total of six members. The General Meeting of 4/5/2005 newly elected Peter J. Hauser and Robert Lombardini to the Board. On the same date, Dr. Roman Boutellier, Andreas Koopmann and Dr. Leonardo Vannotti retired from that body.

Particulars and information on other activities and interests of the individual members of the Board are listed below:

Lambert Leisewitz

Chairman of the Board of Directors

Business School Graduate, German, born 1949

Non-Executive Member

Professional background (milestones):

since 2002	Managing Partner of ways to market group of companies, Bremen/Frankfurt, DE
2001–2002	Chairman of the Board, Mineralbrunnen, Überkingen-Teinach AG, Bad Überkingen, DE
1994–2001	Chairman of the Executive Committee, Apollinaris & Schweppes GmbH & Co, Hamburg, DE
1986–1994	Managing Director of two German companies in the beverages and food products industries

Other significant activities and functions:

- Member of Supervisory Board, Laurens Spethmann Holding Aktiengesellschaft & Co.,
Seevetal, DE
- Member of Advisory Board, Beverages Group Wüllner, Bielefeld, DE
- Member of Supervisory Board, Bremische Volksbank eG, Bremen, DE

Martin Huber

Vice Chairman of the Board of Directors

P. Eng. ETH, lic. iur., Swiss, born 1941

Non-Executive Member

Professional background (milestones):

since 3/2003	Chairman of the Board of Directors, Georg Fischer Ltd., Schaffhausen, CH
1992–2003	President and Chief Executive Officer of Georg Fischer Ltd., Schaffhausen, CH
1984–1992	Head of Corporate Group Piping Systems and Member of the Group Executive Committee, Georg Fischer Group, Schaffhausen, CH
1981–1984	Various management functions in the US subsidiaries of the Georg Fischer Group
1972–1981	Various management functions at Mettler Instruments Ltd., Greifensee, CH, from 1976 Member of the Executive Committee

Other significant activities and functions:

- Member of the Executive Committee, Swissmem, Zurich, CH
- Member of the Executive Committee, economiesuisse, Zurich, CH

Peter J. Hauser

Dipl. Betriebsökonom KSZ, Swiss, born 1948

Non-Executive Member

Professional background (milestones):

since 2003	Chairman of the Board of Directors, Gallus Holding Ltd., St. Gallen, CH
1993–2002	CEO and Delegate of the Board of Directors, Gallus Holding Ltd., St. Gallen, CH
1986–1992	Various management functions at Hilti AG, Schaan, FL, such as Head of Division and Member of the extended Group Executive Committee
1978–1985	Various management functions at SIG Schweizerische Industrie Gesellschaft, Neuhausen am Rheinfall, CH, as from 1983 Head of Small Arms Business Unit

Other significant activities and functions:

- Chairman of the Board of Directors, Heidelberg Switzerland AG, Berne, CH
- Member of the Board of Directors, Model AG, Weinfelden, CH
- Member of the Board of Directors, Albatros Holding AG, Winkel, CH
- Member of the Management Committee of the Institute of Marketing and Retailing, University of St. Gallen, St. Gallen, CH
- Vice President of the Management Committee of the Institute of Technology Management, University of St. Gallen, St. Gallen, CH

Thomas Hübner

Dipl. Hotelier SHV, Swiss, born 1958
Non-Executive Member

Professional background (milestones):

since 3/2002	CEO, Metro Cash & Carry International GmbH, Düsseldorf, DE
2001–2002	COO Eastern Europe & Russia, Metro Cash & Carry International GmbH, Düsseldorf, DE
1998–2000	Chairman of Management Board, Wholesaling, Bon Appetit Group AG, Moosseedorf, CH
1996–1997	Chairman of Executive Management, Prodega AG, Moosseedorf, CH
1988–1996	Various management positions with McDonald's International

Other significant activities and functions:

- none

Robert Lombardini

P. Eng. ETH, Swiss, born 1949
Non-Executive Member

Professional background (milestones):

since 2004	Chairman of the Board of Directors, Axpo Holding Ltd., Baden, CH
1999–2003	President and Chief Executive Officer, Dätwyler Holding Inc., Altdorf, CH
1995–1998	Head of Division Cables and Systems, Dätwyler Group, Altdorf, CH
1988–1994	Head of Business Unit Columbus Systems, as from 1991 Member of the Executive Committee, Motor Columbus AG, Baden, CH
1982–1988	Head of Research and Development and Member of the Executive Committee, AGIE SA, Losone, CH

Other significant activities and functions:

- Chairman of the Board of Directors, Kistler Holding AG, Winterthur, CH
- Member of the Board of Directors, Metalor Technologies SA, Neuchâtel, CH
- Member of the Board of Directors, Sécheron SA, Geneva, CH

David Schnell

Industrial Economist, Swiss, born 1947
 Non-Executive Member

Professional background (milestones):

since 2002	Independent Management Consultant
1997–2002	CFO and Member of the Group Executive Committee, Swisscom AG, Berne, CH
1985–1997	CFO and Member of the Group Executive Committee, ELCO Looser Holding Ltd., Zurich, CH, from 1995 also COO and Member of the Board of Directors

Other significant activities and functions:

- Vice Chairman of the Board of Directors, ELMA Electronic AG, Wetzikon, CH
- Member of the Board of Directors, Kuoni Reisen Holding AG, Zurich, CH
- Member of the Board of Directors, Kuoni- und Hugentobler-Stiftung, Zurich, CH
- Member of the Board of Directors, AlpTransit Gotthard AG, Lucerne, CH

Independence of non-executive members

None of the non-executive members has exercised an operational activity on behalf of the SIG Group in the three business years preceding the year under review.

Neither they nor the companies they represent have any significant business relationships with the SIG Group.

3.3 Cross-involvement

There is no cross-membership by Board Members on the Boards of other quoted companies.

3.4 Elections and terms of office

In accordance with the Articles of Association, the Board of Directors is composed of a minimum of five and a maximum of nine members. They are elected by the General Meeting for a term of three years. The terms of office of the individual members are staggered. Members whose terms of office have expired are eligible for re-election immediately. Should the mandate of a Board Member end before expiration of his or her term of office, the newly elected member shall serve for the remaining term of office of the predecessor. Members of the Board will resign no later than the date of the Ordinary General Meeting in the calendar year in which they reach the age of 70.

The following table shows the dates of first election to the Board of Directors and the remaining terms of office:

	First election to BOD	Term of office expires
Lambert Leisewitz, Chairman	2002	2008
Martin Huber, Vice Chairman	1994	2006
Peter J. Hauser	2005	2006
Thomas Hübner	2004	2007
Robert Lombardini	2005	2007
David Schnell	2002	2008

3.5 Internal organizational structure

The Board of Directors is the highest executive body of the Group. It is empowered to take decisions regarding all matters that are not reserved by law or the Articles of Association for the General Meeting, or which it has not assigned to other bodies by means of regulations or resolutions.

The Board of Directors assumes the following primary responsibilities:

- Strategic direction and management of the SIG Group
- Defining the management organization
- Organization of accounting, financial controlling and financial planning
- Supervision of business activities and of those persons entrusted with management functions
- Appointment and dismissal of members of the Group Executive Committee
- Succession planning for senior management levels
- Drawing up the Annual Report, preparing the General Meeting and executing its resolutions

To support it, the Board of Directors has formed two permanent committees, namely the Audit Committee and the Nomination & Compensation Committee. Specific subjects and time-limited projects can be assigned to ad hoc committees.

The Board of Directors has also delegated the operational management of business to the Group Executive Committee, which is chaired by the CEO.

The chairman presides over the Board of Directors. If he is prevented from exercising his functions, these are transferred to the vice chairman.

Work methods of the Board of Directors

Each year, the Board of Directors convenes at six ordinary meetings, usually lasting one or two days. Extraordinary meetings can be called as required. Additional meetings can be proposed by any Board Member or the CEO by stating the reasons to the Chairman. In 2005, a total of nine meetings were held.

The agenda of each ordinary meeting focuses on a specific subject in the sectors of strategy, finance or human resources. The Chairman, in conjunction with the CEO and the Secretary to the Board, sets out the agenda for each meeting. Any Board Member can propose the inclusion of an item in the agenda.

Meetings are called in writing by the Chairman of the Board or the Secretary to the Board. As a rule, invitations, including the detailed agenda and supporting documentation, are sent to all participants one week prior to the meeting. Provided no member raises an objection, the Board can discuss urgent matters not already included in the agenda.

As standard procedure, the members of the Group Executive Committee attend meetings of the Board of Directors. In order for the Board of Directors to obtain sufficient information for reaching decisions, other employees or third persons can be called to the meetings. The Board of Directors adopts resolutions and performs elections with the majority of members present at the meeting. Resolutions can only be adopted when the majority of the Board Members are present. In the event of a tied vote, the Chairman holds the casting vote. Resolutions can also be adopted through video or telephone conferencing, or by circular letter, provided no member demands verbal discussion at a meeting. Resolutions adopted by circulation require the approval of the absolute majority of the members of the Board of Directors.

Individual members are obliged to abstain from voting if business is being discussed which affects their own interests or those of individuals or legal entities closely linked to them. Such business is subject to the principle of transactions contracted under third-party conditions. Members of the Board of Directors receive a full copy of the minutes of meeting; other participants receive an extract containing those agenda items and resolutions that are relevant to them.

Composition / Work methods of the Board of Directors' committees

The tasks and scopes of responsibility of the two permanent Board of Directors' committees (Audit Committee and Nomination & Compensation Committee) are described in detail in the Organizational Regulations of the SIG Group. Primarily, these bodies have assessment, consultant and supervisory functions. In specific individual cases, they also have decision-making competencies.

Each year, the Board of Directors appoints the chairmen and the other members of both Board of Directors' committees. At the end of 2005, the composition of the committees was as shown below:

	Audit Committee	Nomination & Compensation Committee
Lambert Leisewitz, Chairman		C
Martin Huber, Vice Chairman	M	
Peter J. Hauser		M
Thomas Hübner		M
Robert Lombardini	M	
David Schnell	C	

C = Chairman, M = Member

The Board of Directors' committees meet periodically, or as required. Those provisions governing the Board of Directors' meetings, resolutions and abstentions also apply for the committees' regulations. Copies of the minutes of meeting are distributed to all meeting participants and to all members of the Board of Directors. Additionally, at the next board meeting, the committee chairmen report verbally to the Board of Directors on matters discussed and, when necessary, submit corresponding proposals to that body.

Specific details on the individual committees are given below:

Audit Committee

The Audit Committee shall be composed of a minimum of three non-executive, independent members of the Board of Directors. Members are considered independent when they have never sat on the Group Executive Committee, or have not belonged to it for at least three years, and have no or only insignificant business connections with the company. All members shall have adequate financial management and accounting expertise, either as a result of their qualifications or through their professional experience. As a rule, the CEO, COO and CFO, a representative of the Internal Audit and a representative of the Statutory External Auditors also attend the meetings.

In 2005, the Audit Committee held four meetings.

The Audit Committee is entrusted with the following primary responsibilities:

- Review of the Annual Report, the annual and interim financial statements as well as the auditing reports and management letters of the SIG Group and the SIG Holding Ltd., submitting proposals to the Board of Directors
- Ensuring of compliance with set accounting standards within the Group
- Selection of the External Statutory Auditors and Group Auditors to be proposed to the General Meeting, submitting corresponding proposals to the Board of Directors
- Approval of the strategic audit plan
- Review and monitoring of the performance, independence and compensation of the External Statutory Auditors
- Assessment and discussion of the reports of the Internal Audit
- Monitoring the performance of the Internal Audit
- Periodic review of the guidelines issued on ad hoc publicity and prevention of insider dealings
- Periodic review of the organization of Assurance and Risk Management
- Assessment of key tax issues
- Review of the financial statements as well as the auditing reports and management letters of SIG Holding Ltd. foundations

Nomination & Compensation Committee

The Nomination & Compensation Committee is constituted by three non-executive, independent members of the Board of Directors. Members are considered independent when they have never sat on the Group Executive Committee, or have not belonged to it for at least three years, and have no or only insignificant business connections with the company. As a rule, the CEO and the head of Corporate Human Resources also attend the meetings. In 2005, the Nomination & Compensation Committee held five meetings.

The Nomination & Compensation Committee is entrusted with the following primary responsibilities:

- Periodic review of the composition of the Board of Directors
- Selection of qualified candidates to sit on the Board of Directors, submitting corresponding proposals to the Board of Directors
- Assessing succession planning for the CEO and the other members of the Group Executive Committee
- Succession planning for selected other functions
- Selection of qualified candidates to occupy Group Executive Committee positions, submitting corresponding proposals to the Board of Directors
- Periodic review of the compensation system and total remuneration of the Board of Directors, submitting proposals to the Board of Directors
- Determination of the yearly compensation payments to the individual members of the Board of Directors
- Periodic review of the Management Compensation Policy within the Group, submitting proposals to the Board of Directors
- Review of the annual total compensation (Annual Base Salary, Annual Bonus, Long-Term Incentive) of the CEO, submitting proposals to the Board of Directors

- Determination of the annual total compensation (Annual Base Salary, Annual Bonus, Long-Term Incentive) of the other members of the Group Executive Committee
- Determination of the retirement conditions of the CEO and the other members of the Group Executive Committee
- Approval of loan agreements between the company and members of the Board of Directors or members of the Group Executive Committee

3.6 Definition of areas of responsibility

The definition of areas of responsibility between the Board of Directors and the Group Executive Committee is laid down in the Organizational Regulations of the SIG Group. This document describes the general responsibilities of the individual bodies, while the Diagram of Functions defines in detail which body has the power of decision in which area of business. In addition to the decisions which, pursuant to Art. 716a CO, are defined as its irrevocable and nontransferable duties, the Board of Directors also reserves for itself the right to approve important subjects relating to the implementation of strategies, plus key organizational, financial and personnel affairs within the operational sector.

The Organizational Regulations are reviewed periodically by the Board of Directors and amended to meet new requirements.

3.7 Information and control instruments vis-à-vis the Group Executive Committee

The Board of Directors is integrated at appropriate hierarchical level into the entire Management Information System of the SIG Group. Monthly, it receives a written reporting comprising income statement, balance sheet, cash flow statement, key figures and detailed explanations on the Group as a whole as well as on each segment. Reported figures are compared against those of the previous year and the current budget. Three times a year (at the closing of each quarter), the Board receives an equally detailed end-of-year forecast, which allows fulfillment of budget to be reviewed. Further, and within the framework of the annual strategy review meeting, the Board receives the qualitative strategy objectives and the results of the three-year mid-term planning.

Over and above this documentation, the Group Executive Committee reports verbally on the trading performance at each meeting of the Board of Directors. In special cases, the CEO immediately briefs the Board of Directors on the specific matter in written and/or verbal form. Also, outside of meetings, any member of the Board has the right to demand from any member of the Group Executive Committee information about business matters within the latter's scope of responsibility. The chairman of the Board also maintains regular contacts and holds regular discussions with the CEO and is informed by him about all business matters and aspects that are of fundamental significance or have far-reaching implications.

These Board of Directors' control instruments are complemented by the activities of the Internal Audit. Reports prepared by them on conducted audits are submitted to the members of the Audit Committee in addition to the responsible managers. Furthermore, the Internal Audit regularly briefs both the Audit Committee and the Group Executive Committee on important audit findings and submits recommendations for improvement.

Section 4 **Group Executive Committee**

The CEO heads the Group operationally in cooperation with the other members of the Group Executive Committee. He is responsible for the development, implementation and achievement of the business objectives of the Group. The Group Executive Committee actively supports the CEO in managing the Group. It is concerned with those business activities that are of significant importance to the entire Group.

The Group Executive Committee is entrusted with the following primary responsibilities:

- Developing and implementing the overall strategy and achieving the overall budget
- Developing and implementing the structures and systems required to manage the Group
- Optimal utilization of existing resources within the Group
- Exploitation of available synergy potentials within the Group
- Promotion of cross-segment cooperation and communication within the Group
- Preparation and discussion of subjects and business matters that fall within the scope of responsibility of the superior authorities



4.1/4.2 Members of the Group Executive Committee/Other activities and functions

The Group Executive Committee comprises three members, namely the Chief Executive Officer (CEO), the Chief Operating Officer (COO) and the Chief Financial Officer (CFO).

Particulars and information on other activities and functions of the individual members of the Group Executive Committee are given below:

Rolf-Dieter Rademacher

CEO

Business School Graduate, German, born 1948

Professional background (milestones):

since 6/2004	CEO SIG Group, Neuhausen am Rheinfall, CH
2000–2004	Head SIG Combibloc division and Member of the Group Executive Committee, SIG Group, Neuhausen am Rheinfall, CH
1994–2000	Head Liquid Processing Division, GEA AG, Bochum, DE
1990–1994	Managing Director, Riniker AG, Rapperswil, CH

Other significant activities and functions:

- Member of the Executive Committee, Swissmem, Zurich, CH

André Rosenstock

COO

BSC Business Administration, German, born 1960

Professional background (milestones):

since 9/2004	COO and Member of the Group Executive Committee, SIG Group, Neuhausen am Rheinfall, CH
2000–2004	CFO, SIG Combibloc Division, Neuhausen am Rheinfall, CH
1997–2000	Head Corporate Controlling, SIG Combibloc International GmbH, Linnich, DE
1986–1997	Various management and controlling functions, Felten & Guillaume Group, Nordenham, DE

Other significant activities and functions:

- none

Marco Haussener

CFO

B.A. Econ., Swiss, born 1957

Professional background (milestones):

since 1/2001	CFO and Member of the Group Executive Committee, SIG Group, Neuhausen am Rheinfall, CH
2000	Head Mergers & Acquisitions, SIG Group, Neuhausen am Rheinfall, CH
1997–1999	CFO and Member of the Executive Committee, Elektrowatt Engineering Ltd., Zurich, CH
1995–1996	Group Controller, Elektrowatt Ltd., Zurich, CH
1991–1995	Head Finance and Controlling and Member of the Executive Committee, Ascom Radiocom AG, Mägenwil, CH

Other significant activities and functions:

- Member of the Executive Committee of "Verein Schweizerischer Unternehmen in Deutschland" (VSUD)

4.3 Management contracts

There are no management contracts with legal entities or individuals outside of the SIG Group.

Section 5 **Compensations, shareholdings and loans**

5.1 **Content and method of determining the compensation and of the shareholding programs**

SIG remunerates the members of its Board of Directors and Group Executive Committee on the principle of performance and profitability. The structure of the remuneration package is market-oriented and, in addition to a fixed base salary, contains a substantial portion of performance-linked compensation elements.

The activities of the chairman of the Board of Directors, the vice chairman and the ordinary members of the Board are compensated by an honorarium that comprises a fixed Annual Base Fee paid out in cash, plus a performance-related Long-Term Incentive (LTI) in the form of conditional rights to receive SIG shares. Activities on a Board of Directors' committee are compensated by a lump sum paid out in cash. For the chairman of the Board, activities performed on committees are included in the Annual Base Fee and, consequently, are not compensated separately.

The CEO, the other Members of the Group Executive Committee and the senior management down to the level of, and including, heads of Strategic Business Units receive, in addition to a fixed Annual Base Salary (ABS), a profit-linked Annual Bonus and a performance-oriented Long-Term Incentive (LTI).

The level of bonus depends to 70 percent on achieving the financial metrics EBIT/EBITA, ROCE as well as growth in net sales, and to 30 percent on meeting personal performance targets. The Annual Bonus is paid out after closing of the business year, whereby achievement of objectives is determined mathematically within narrow band widths. The level of the so-called target bonus, which is paid out when all set objectives are achieved, is to be set generally at between 40 and 50 percent of the fixed Annual Base Salary for members of the Group Executive Committee. When targets are not met, the bonus is zero. In the event that financial targets are significantly exceeded (in accordance with the Bonus Plan, only these targets can be exceeded, but not the personal performance targets), the bonus can be increased to maximum 1.7 times of the target bonus.

Whereas the Bonus Plan addresses short-term increase in performance, the LTI plan (Long-Term Incentive) is directed towards the sustained value increase of SIG. Each year, the members of the Board of Directors and the eligible senior managers of the Group, numbering around 45, are awarded a number of conditional rights to receive SIG shares. Whether and to what extent shares can be allotted under this plan, depends on the performance of the SIG share price. At the end of a given three-year performance period, the participants are entitled to receive a number of shares, equal to the basic award, provided the SIG share performance on the Swiss Stock Exchange over the defined three-year period was at least equal to that of the Swiss Performance Index (SPI). If the SIG share underperforms 10 percent or more against the SPI, then the conditional rights to receive shares expire without indemnification. Should, however, the SIG share outperform the SPI by 10 percent or more during the defined three-year period, then a maximum of double the basic award may be received. Interpolation between the performance points "SPI +10 percent" and "SPI -10 percent" is linear.

In general, the performance-linked elements for members of the Group Executive Committee, tied to achieving clearly defined targets, shall amount to a minimum of 35–40 percent of the total remuneration.

The base fees and elements of the above compensation system are reviewed periodically by the Nomination & Compensation Committee and, as necessary, redefined by the Board of Directors. At the end of the year, the level of annual lump sum compensation for the individual members of the Board of Directors in the following year is approved by the Nomination & Compensation Committee, based on the compensation regulations for the Board of Directors. At the end of the business year, the level of compensation for the CEO in the following year is set by the Board of Directors, based on the proposal of the Nomination & Compensation Committee. The level of compensation for the other members of the Group Executive Committee in the following year is set at the end of the business year by the Nomination & Compensation Committee, based on the proposal of the CEO.

5.2 Compensations for acting members of governing bodies

The total of all compensations for acting members of the Board of Directors and the Group Executive Committee in the year under review amounted to:

- a) for the executive members of the Board of Directors and the members of the Group Executive Committee, a total of CHF 2.53 million,
- b) for the non-executive members of the Board of Directors, a total of CHF 1.21 million.

The following additional severance compensations were paid to persons who gave up their functions in a governing body during the year under review:

- a) to resigned executive members of the Board of Directors and members of the Group Executive Committee, a total of CHF 0 million,
- b) to resigned non-executive members of the Board of Directors, a total of CHF 0 million.

5.3 Compensations for former members of governing bodies

The total of all compensations for former members of the Board of Directors and the members of the Group Executive Committee in the year under review amounted to:

- a) for former executive members of the Board of Directors and members of the Group Executive Committee a total of CHF 0.32 million,
- b) for former non-executive members of the Board of Directors, a total of CHF 0 million.

5.4 Share allotment in the year under review

In the year under review, the following numbers of shares of the SIG Holding Ltd. were allotted through the LTI plan:

- a) for the executive members of the Board of Directors and the members of the Group Executive Committee, a total of 1 174 shares,
- b) for the non-executive members of the Board of Directors, a total of 1 038 shares.

Additionally, a total of 1 945 shares were allotted through the LTI plan to former members of the Group Executive Committee and a total of 340 shares to former non-executive members of the Board of Directors in the year under review.

5.5 Share ownership

At the time of the disclosure deadline, the number of SIG shares held by the following parties was:

- a) by the executive members of the Board of Directors, the members of the Group Executive Committee, and parties closely linked to them, a total of 120 shares,
- b) by the non-executive members of the Board of Directors and parties closely linked to them, a total of 1 444 shares.

5.6 Options

At the time of the disclosure deadline neither the Members of the Board of Directors nor the Group Executive Committee, nor parties closely linked to them, held options to SIG shares.

5.7 Additional honorariums and remunerations

In the year under review, honorariums or remunerations of CHF 0.05 million were paid to members of the Board of Directors or to members of the Group Executive Committee, as well as to parties closely linked to them.

5.8 Loans granted to governing bodies

No member of the Board of Directors or the Group Executive Committee, or parties closely linked to them, has any loans, advances or credits outstanding to the SIG Holding Ltd., or its subsidiary companies.

5.9 Highest total compensation

In the year under review, the highest compensation conferred on a member of the Board of Directors amounted to CHF 0,45 million in cash and an allotment of 118 shares through the LTI plan.

Section 6 **Shareholders' participation rights**

The shareholders' participation rights are described in detail in the Articles of Association of the SIG Holding Ltd. These Articles of Association can be accessed through the Internet (www.sig.biz) under Investor Relations, Corporate Governance.

With regard to the individual articles, please note the following:

6.1 Voting rights restrictions and representation

See Articles of Association Art. 6, Art. 13 and Art. 15, parag. (1)

In principle, each registered share is entitled to one vote. However, no individual or legal entity may, directly or indirectly, consolidate with voting rights more than 5 percent of the registered share capital recorded in the Commercial Register. Those associated through capital, voting power, joint management or in any other way, or joining for the acquisition of shares, shall be regarded as one person.

In the year under review, the Board of Directors did not make any exceptions on the articles governing restrictions on voting rights.

The general lifting of statutory requirements on restriction of voting rights requires the agreement of at least two-thirds of the votes and nominal share values represented at the General Meeting, plus together one-quarter of all issued shares.

Each shareholder may transfer the exercising of his voting rights to another shareholder by written power of attorney.

6.2 Statutory quorums

See Articles of Association, Art. 15, parag. (1)

6.3 Convocation of General Meeting of shareholders

See Articles of Association, Art. 10

There are no statutory rules that deviate from the applicable law.

6.4 Agenda

See Articles of Association, Art. 11, parag. (3)

6.5 Registrations in the share register

See Articles of Association, Art. 6, parag. (8)

Section 7 **Changes of control and defense measures**

7.1 **Duty to make an offer**

There are no clauses in the articles on opting out or opting up.

7.2 **Clauses on changes of control**

In the event of a change of control, those shares that have been reserved under the LTI plan (see item 5.1 of this section “Corporate Governance”) for selected individuals in case performance criteria are met, will vest to the Members of the Board of Directors and the entitled senior management executives.

There are agreements in the employment contracts of the members of the Group Executive Committee and individual senior executives providing for the event that, as a result of a takeover of a controlling interest in SIG Holding Ltd. by a third party, the employer unilaterally terminates the employment contract. Under such agreements the discharged employees are entitled to compensation payments amounting to one and one-half of their respective annual target compensation (excluding the Long-Term Incentive).

Section 8 **Auditors**

8.1 **Duration of the mandate and term of office of the head auditor**

Since 1956, PricewaterhouseCoopers Ltd., Basel (formerly their predecessors), are the Statutory Auditors of the SIG Holding Ltd., and since 1992 the Group Auditors of the SIG Group. The Head Auditor, Mr. Daniel Suter, has held responsibility for both audit mandates since 2003.

8.2 / 8.3 **Auditing honorarium/Additional honorariums**

In the year under review, PricewaterhouseCoopers Ltd. charged the SIG Group the following amounts:

- a) CHF 1.25 million for services related to auditing the annual financial statements of the SIG Holding Ltd., the financial statements of its Group companies and the consolidated financial statements of the SIG Group (item 8.2). This sum is equivalent to 46 percent of the total audit honorariums paid to auditing companies.
- b) CHF 0.75 million for other services in the sectors of operative tax advice, management consulting and further auditing services in connection with divestments (item 8.3).

8.4 **Supervisory and control instruments vis-à-vis the auditors**

Each year there are in minimum three meetings of the Audit Committee, during which the annual financial statements, the half-year financial statements and the hard close (financial statements as per 10/31) are discussed. The Management Letter of the external auditors is the basis for discussions on the annual financial statements and the hard close.

Once a year, the Audit Committee reviews the performance, independence and remuneration of the external auditors, and submits a proposal to the Board of Directors on which auditing company should be nominated for election at the General Meeting. On an annual basis, the Audit Committee also reviews the scope of external auditing, the audit plans and the relevant procedures, and discusses the corresponding audit results with the external auditors.

Section 9 Information policy

9.1 Principles / Dates

SIG pursues an open, active and transparent information policy with all parties involved. Each year, it publishes an Annual Report and a Half-Year Statement.

In certain cases, such as acquisitions and divestments, shareholders are informed separately about the details by means of Shareholder Letters.

At least twice a year, there are dedicated conferences for the media and financial analysts in connection with presenting the annual and half-year financial statements. The following important dates have been set for 2006:

Presentation annual financial statements 2005	3/7/2006
Ordinary General Meeting	3/30/2006
Presentation half-year financial statement 2006	8/22/2006

Further details can be found in the Internet under www.sig.biz. This site covers the sections "Investor Relations" and "Media" providing all relevant data for shareholders. All SIG press releases can be obtained by registering under "Media".

9.2 Disclosure regulations/Prevention of insider dealings

Price-sensitive facts are published by SIG in accordance with the regulations of the Swiss Stock Exchange on ad hoc publicity. For this purpose, detailed internal guidelines exist. Parallel to this measure, a share dealing code is in force, which sets out appropriate directives aimed at preventing insider dealings. An internal Clearing Office is tasked with implementing and monitoring adherence to these two guidelines.



«O crescente comprometimento com o desenvolvimento do mercado da América do Sul começam a produzir efeitos positivos. Os clientes valorizam nossa presença local, nossa flexibilidade e o nosso amplo portfólio de produtos, que oferecem uma clara diferenciação no mercado.»

Brazil/South America

According to some forecasts Brazil, with a gross national product of USD 6.07 trillion by the year 2050, will rank with China, the USA, India and Japan, to become the world's fifth biggest economy. Whereas the world economy is showing an average growth of 3 to 4 percent, this South American nation is developing at a rate of up to 7 percent.

Of interest to SIG Combibloc is the fact that, after Asia and Western Europe, South America is the third biggest market worldwide for aseptic beverage cartons – of which some 73 percent are attributed to Brazil, followed by Argentina with 16 percent and Chile with 5 percent.

The relevant segment for the division is the UHT milk/products market which in Brazil alone represents a volume of over 5 billion liters and is growing by around 3 percent annually. A characteristic of the Brazilian market is its consumption of condensed milk, which is the highest in the world. In the period 1994 to 2004, it grew by around 30 percent from some 150 000 tons in 1994 to reach 200 000 tons in 2004. Forecasts predict growth up to a level of around 300 000 tons by the year 2008.

In the face of the development potential in Brazil, but also in the other markets of South America, SIG Combibloc is expanding its strategic partnerships with the food and beverages producers on that continent. Moreover, following the market build-up phase, the division is planning to construct a new packaging materials plant in Brazil.

Luciana Galvão, Marketing Manager

“Our strengthened engagement in South America is already taking effect in the market. The customers appreciate our local presence, our flexibility and the broad spectrum of formats that allows them to differentiate themselves from their competitors.”



JANUARY



FEBRUARY



MARCH

› In Wittenberg, the 14 billionth sleeve came off the production line.

› Jubilee no. 1

In 1975, the Gildemeister firm transferred its PET machine department to a new company that was named Gildemeister Corpoplast, after the machine process. That was the birth of today's SIG Corpoplast, considered to be the inventors of PET stretch blow molding technology, and celebrating 30 years of operation in the year under report.

› combishape

Eckes-Granini France and CAPSA (Corporación Alimentaria Peñasanta, S.A.), Spain, expand their respective product ranges of Joker and NATURLÍnea in combishape.



APRIL



MAY



JUNE

› Frispa
Frispa, one of Germany's most successful direct juice brands, transfers to combifit. The most popular varieties orange, apple and pear are also available in 1.5 liter combifitMagnum – a format that appears on the German market for the first time.

› New combiSwift screw cap for beverage cartons. As the very first producer worldwide, Germany's Thüringer Milchwerke GmbH, a subsidiary of the Humana Milchunion group, equips its "Osterland" brand products with the new closure.

› With Germany's "Amendment to the Packaging Ordinance" the beverage carton was officially classified as "ecologically advantageous"

› Sale: SIG sells the Italian units SIG Manzini and SIG Comaco (tomato processing equipment) to the Catelli Holding.



JULY

› Newly established: effective July 1, manufacturing, marketing and after sales service for Plasmacox coating equipment are managed by the newly founded SIG Plasmacox GmbH. To optimize synergies with SIG Corpoplast, the company is also located in Hamburg.



AUGUST

› With its newly developed Speed-Loc, SIG Corpoplast offers the possibility of rapid changeover of blow molds and stretch rods for new products in each station in record time. The inner shells and mold base are locked or released by a single lever action. Screws have been eliminated. The stretch rod no longer has to be exchanged, it simply requires adjustment. The benefits: substantial cost savings through reduced downtimes.



SEPTEMBER

› SIG exhibits at drinktec 2005. The focus is on SIG Corpoplast's core competence "Bottles and Shapes". Simultaneously introduced is the BLO-MAX 10 Series III machine with compact stations for 18 000 bottles/hour: during the show, the unit produces live the lightest ever 0.5 liter still water bottle from a 12 g preform. Also exhibited are the barrier coating machine PLASMAX 12 D from SIG Plasmacox and the aseptic bottle filler ABF 610 with integrated aseptic screw capper from SIG Asbofill.

› Sale: SIG sells the Italian units SIG Simonazzi (beverage filling lines) and SIG Alfa (labeling machines) to the Tetra Laval Group. With the closing of this divestment, SIG successfully completes the focus on its core business of aseptic beverage cartons and value added filling of premium refreshments in PET bottles.



OCTOBER



NOVEMBER



DECEMBER

› The building for the new extrusion line is finished and the machine building phase completed. This new line can produce any type of coating for all existing and future formats. Production starts in 2006.

› New: SIG opens a new packaging materials production plant in Saudi Arabia. At the same time, extended collaboration with a key account in the Middle East region is announced. Shown here: His Royal Highness Prince Salman Bin Abdulaziz Alsaoud.

›› Jubilee no. 2

The beverage carton celebrates its 75th anniversary. On November 8, 1930 a patent application was submitted for Perga "an impermeable paper container" and forerunner of today's packaging systems from SIG Combibloc.

››› Success: with an order for five aseptic machines from two European fillers, SIG Asbofill books its biggest order to date.

› Vital partnership: SIG Combibloc wins the Brazilian company Batávia Indústria de Alimentos S.A. as a key partner in its bid to gain a stronger foothold in the South American markets. The SIG division thereby launches the combifit format in South America for the very first time.

Middle East/Africa

The markets for non-carbonated soft drinks, liquid UHT milk and other UHT products are growing by about 10 percent annually in this region. An increasing number of consumers are choosing long life products in aseptic beverage cartons for reasons of quality, hygiene, safety and convenience.

SIG Combibloc is developing markets in the region in cooperation with the Saudi Arabian Obeikan Investment Group. Both companies are focused on establishing a local presence on the foundations of strong strategic partnerships with their customers. With this in mind, in 2005, the joint venture, SIG Combibloc Obeikan FZCO, strengthened its leading position in Saudi Arabia, the Middle East and Africa through two groundbreaking projects. The company has expanded its cooperation with a significant key account and also opened a modern packaging materials plant in Riyadh, Saudi Arabia. In 2006, that production facility is expected to employ some 130 people.

Abdallah Obeikan, CEO SIG Combibloc Obeikan FZCO

“The reason that our joint venture has been so successful is due to Obeikan Group’s indepth knowledge of the markets and SIG Combibloc’s ability to supply packaging systems that are ideally suited to the local markets.”



يرجع سبب نجاح شراكتنا الى الخبرة الوثيقة لمجموعة العبيكان في الأسواق وقدرة إس آي جي كومبيلوك على توفير

أنظمة تغليف ملائمة لحاجات الأسواق المحلية.